



# GENERAL ASSEMBLY

## COMMONWEALTH OF KENTUCKY

### 2011 REGULAR SESSION

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HOUSE BILL NO. 229

AS ENACTED

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FRIDAY, MARCH 4, 2011

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ELAINE N. WALKER  
SECRETARY OF STATE  
COMMONWEALTH OF KENTUCKY  
BY R. J. Allen

1 AN ACT relating to public employees.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 18A.205 is amended to read as follows:

4 (1) The secretary of the Finance and Administration Cabinet, upon the recommendation  
5 of the secretary, may procure from one (1) or more life insurance companies,  
6 authorized to do business in this state, a policy or policies of group life insurance  
7 insuring the lives of all or any class or classes of state employees. The policy or  
8 policies shall be approved by the commissioner of insurance and may contain such  
9 provisions as the commissioner of insurance approves whether or not otherwise  
10 permitted by the insurance laws. It is intended that life insurance may be made  
11 available for state employees, except that the procuring is permissive.

12 (2) The term "state employee," for purposes of KRS 18A.205 to 18A.215, shall mean a  
13 person who is regularly employed by any department, board, agency, or branch of  
14 state government, and who is also:

15 (a) A contributing member of any one (1) of the *state-administered* retirement  
16 systems~~[administered by the state]~~; *or*

17 (b) *A retiree of a state-administered retirement system who is employed in a*  
18 *regular full-time position for purposes of retirement coverage, but who is*  
19 *not eligible to contribute to one (1) of the systems administered by Kentucky*  
20 *Retirement Systems pursuant to subsection (17) of Section 3 of this Act.*

21 *Notwithstanding the definition of "state employee" in this subsection,*~~[provided,~~  
22 ~~however, that]~~ any federally funded time-limited employee may receive insurance  
23 coverage.

24 (3) The term "premiums," for the purposes of KRS 18A.205 to 18A.225, shall mean  
25 premiums to be paid on any type of insurance authorized under KRS 18A.205 to  
26 18A.225.

27 ➔Section 2. KRS 61.510 is amended to read as follows:

1 As used in KRS 61.510 to 61.705, unless the context otherwise requires:

2 (1) "System" means the Kentucky Employees Retirement System created by KRS  
3 61.510 to 61.705;

4 (2) "Board" means the board of trustees of the system as provided in KRS 61.645;

5 (3) "Department" means any state department or board or agency participating in the  
6 system in accordance with appropriate executive order, as provided in KRS 61.520.  
7 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the  
8 General Assembly and any other body, entity, or instrumentality designated by  
9 executive order by the Governor, shall be deemed to be a department,  
10 notwithstanding whether said body, entity, or instrumentality is an integral part of  
11 state government;

12 (4) "Examiner" means the medical examiners as provided in KRS 61.665;

13 (5) "Employee" means the members, officers, and employees of the General Assembly  
14 and every regular full-time, appointed or elective officer or employee of a  
15 participating department, including the Department of Military Affairs. The term  
16 does not include persons engaged as independent contractors, seasonal, emergency,  
17 temporary, interim, and part-time workers. In case of any doubt, the board shall  
18 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;

19 (6) "Employer" means a department or any authority of a department having the power  
20 to appoint or select an employee in the department, including the Senate and the  
21 House of Representatives, or any other entity, the employees of which are eligible  
22 for membership in the system pursuant to KRS 61.525;

23 (7) "State" means the Commonwealth of Kentucky;

24 (8) "Member" means any employee who is included in the membership of the system or  
25 any former employee whose membership has not been terminated under KRS  
26 61.535;

27 (9) "Service" means the total of current service and prior service as defined in this

1 section;

2 (10) "Current service" means the number of years and months of employment as an  
3 employee, on and after July 1, 1956, except that for members, officers, and  
4 employees of the General Assembly this date shall be January 1, 1960, for which  
5 creditable compensation is paid and employee contributions deducted, except as  
6 otherwise provided, and each member, officer, and employee of the General  
7 Assembly shall be credited with a month of current service for each month he  
8 serves in the position;

9 (11) "Prior service" means the number of years and completed months, expressed as a  
10 fraction of a year, of employment as an employee, prior to July 1, 1956, for which  
11 creditable compensation was paid; except that for members, officers, and employees  
12 of the General Assembly, this date shall be January 1, 1960. An employee shall be  
13 credited with one (1) month of prior service only in those months he received  
14 compensation for at least one hundred (100) hours of work; provided, however, that  
15 each member, officer, and employee of the General Assembly shall be credited with  
16 a month of prior service for each month he served in the position prior to January 1,  
17 1960. Twelve (12) months of current service in the system are required to validate  
18 prior service;

19 (12) "Accumulated contributions" at any time means the sum of all amounts deducted  
20 from the compensation of a member and credited to his individual account in the  
21 members' contribution account, including employee contributions picked up after  
22 August 1, 1982, pursuant to KRS 61.560(4), together with interest credited on such  
23 amounts and any other amounts the member shall have contributed thereto,  
24 including interest credited thereon. For members who begin participating on or after  
25 September 1, 2008, "accumulated contributions" shall not include employee  
26 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.  
27 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as

1 prescribed by KRS 61.702(2)(b);

2 (13) "Creditable compensation" means all salary, wages, tips to the extent the tips are  
3 reported for income tax purposes, and fees, including payments for compensatory  
4 time, paid to the employee as a result of services performed for the employer or for  
5 time during which the member is on paid leave, which are includable on the  
6 member's federal form W-2 wage and tax statement under the heading "wages, tips,  
7 other compensation," including employee contributions picked up after August 1,  
8 1982, pursuant to KRS 61.560(4). For members of the General Assembly, it shall  
9 mean all amounts which are includable on the member's federal form W-2 wage and  
10 tax statement under the heading "wages, tips, other compensation," including  
11 employee contributions picked up after August 1, 1982, pursuant to KRS 6.505(4)  
12 or 61.560(4). A lump-sum bonus, severance pay, or employer-provided payment for  
13 purchase of service credit shall be included as creditable compensation but shall be  
14 averaged over the employee's total service with the system in which it is recorded if  
15 it is equal to or greater than one thousand dollars (\$1,000). In cases where  
16 compensation includes maintenance and other perquisites, the board shall fix the  
17 value of that part of the compensation not paid in money. Living allowances,  
18 expense reimbursements, lump-sum payments for accrued vacation leave, and other  
19 items determined by the board shall be excluded. Creditable compensation shall  
20 also include amounts which are not includable in the member's gross income by  
21 virtue of the member having taken a voluntary salary reduction provided for under  
22 applicable provisions of the Internal Revenue Code. Creditable compensation shall  
23 also include elective amounts for qualified transportation fringes paid or made  
24 available on or after January 1, 2001, for calendar years on or after January 1, 2001,  
25 that are not includable in the gross income of the employee by reason of 26 U.S.C.  
26 sec. 132(f)(4). For employees who begin participating on or after September 1,  
27 2008, creditable compensation shall not include payments for compensatory time;

1 (14) "Final compensation" of a member means:

- 2 (a) For a member who begins participating before September 1, 2008, who is not  
3 employed in a hazardous position, as provided in KRS 61.592, the creditable  
4 compensation of the member during the five (5) fiscal years he was paid at the  
5 highest average monthly rate divided by the number of months of service  
6 credit during that five (5) year period multiplied by twelve (12). The five (5)  
7 years may be fractional and need not be consecutive. If the number of months  
8 of service credit during the five (5) year period is less than forty-eight (48),  
9 one (1) or more additional fiscal years shall be used;
- 10 (b) For a member who is not employed in a hazardous position, as provided in  
11 KRS 61.592, whose effective retirement date is between August 1, 2001, and  
12 January 1, 2009, and whose total service credit is at least twenty-seven (27)  
13 years and whose age and years of service total at least seventy-five (75), final  
14 compensation means the creditable compensation of the member during the  
15 three (3) fiscal years the member was paid at the highest average monthly rate  
16 divided by the number of months of service credit during that three (3) years  
17 period multiplied by twelve (12). The three (3) years may be fractional and  
18 need not be consecutive. If the number of months of service credit during the  
19 three (3) year period is less than twenty-four (24), one (1) or more additional  
20 fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the  
21 funding for this paragraph shall be provided from existing funds of the  
22 retirement allowance;
- 23 (c) For a member who begins participating before September 1, 2008, who is  
24 employed in a hazardous position, as provided in KRS 61.592, the creditable  
25 compensation of the member during the three (3) fiscal years he was paid at  
26 the highest average monthly rate divided by the number of months of service  
27 credit during that three (3) year period multiplied by twelve (12). The three (3)

1 years may be fractional and need not be consecutive. If the number of months  
 2 of service credit during the three (3) year period is less than twenty-four (24),  
 3 one (1) or more additional fiscal years shall be used;

4 (d) For a member who begins participating on or after September 1, 2008, who is  
 5 not employed in a hazardous position, as provided in KRS 61.592, the  
 6 creditable compensation of the member during the five (5) complete fiscal  
 7 years immediately preceding retirement divided by five (5). Each fiscal year  
 8 used to determine final compensation must contain twelve (12) months of  
 9 service credit. If the member does not have five (5) complete fiscal years that  
 10 each contain twelve (12) months of service credit, then one (1) or more  
 11 additional fiscal years shall be used; or

12 (e) For a member who begins participating on or after September 1, 2008, who is  
 13 employed in a hazardous position, as provided in KRS 61.592, the creditable  
 14 compensation of the member during the three (3) complete fiscal years he was  
 15 paid at the highest average monthly rate divided by three (3). Each fiscal year  
 16 used to determine final compensation must contain twelve (12) months of  
 17 service credit;

18 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were  
 19 calculated during the twelve (12) month period immediately preceding the  
 20 member's effective retirement date, including employee contributions picked up  
 21 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the  
 22 system by the employer and the following equivalents shall be used to convert the  
 23 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
 24 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour  
 25 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,  
 26 one (1) year;

27 (16) "Retirement allowance" means the retirement payments to which a member is

1 entitled;

2 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the  
3 basis of the actuarial tables that are adopted by the board. In cases of disability  
4 retirement, the options authorized by KRS 61.635 shall be computed by adding ten  
5 (10) years to the age of the member, unless the member has chosen the Social  
6 Security adjustment option as provided for in KRS 61.635(8), in which case the  
7 member's actual age shall be used. No disability retirement option shall be less than  
8 the same option computed under early retirement;

9 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless  
10 otherwise provided in KRS 61.510 to 61.705;

11 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
12 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
13 limitation year used to determine contribution and benefit limits as established by  
14 26 U.S.C. sec. 415;

15 (20) "Officers and employees of the General Assembly" means the occupants of those  
16 positions enumerated in KRS 6.150. The term shall also apply to assistants who  
17 were employed by the General Assembly for at least one (1) regular legislative  
18 session prior to July 13, 2004, who elect to participate in the retirement system, and  
19 who serve for at least six (6) regular legislative sessions. Assistants hired after July  
20 13, 2004, shall be designated as interim employees;

21 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean  
22 all positions that average one hundred (100) or more hours per month determined by  
23 using the number of months actually worked within a calendar or fiscal year,  
24 including all positions except:

25 (a) Seasonal positions, which although temporary in duration, are positions which  
26 coincide in duration with a particular season or seasons of the year and which  
27 may recur regularly from year to year, the period of time shall not exceed nine



- 1 (9) months;
- 2 (b) Emergency positions which are positions which do not exceed thirty (30)
- 3 working days and are nonrenewable;
- 4 (c) Temporary positions which are positions of employment with a participating
- 5 department for a period of time not to exceed nine (9) months;
- 6 (d) Part-time positions which are positions which may be permanent in duration,
- 7 but which require less than a calendar or fiscal year average of one hundred
- 8 (100) hours of work per month, determined by using the number of months
- 9 actually worked within a calendar or fiscal year, in the performance of duty;
- 10 and
- 11 (e) Interim positions which are positions established for a one-time or recurring
- 12 need not to exceed nine (9) months;
- 13 (22) "Delayed contribution payment" means an amount paid by an employee for
- 14 purchase of current service. The amount shall be determined using the same formula
- 15 in KRS 61.5525, and the payment shall not be picked up by the employer. A
- 16 delayed contribution payment shall be deposited to the member's contribution
- 17 account and considered as accumulated contributions of the individual member. In
- 18 determining payments under this subsection, the formula found in this subsection
- 19 shall prevail over the one found in KRS 212.434;
- 20 (23) "Parted employer" means a department, portion of a department, board, or agency,
- 21 such as Outwood Hospital and School, which previously participated in the system,
- 22 but due to lease or other contractual arrangement is now operated by a publicly held
- 23 corporation or other similar organization, and therefore is no longer participating in
- 24 the system;
- 25 (24) "Retired member" means any former member receiving a retirement allowance or
- 26 any former member who has filed the necessary documents for retirement benefits
- 27 and is no longer contributing to the retirement system;

- 1 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
2 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
3 pay. The rate shall be certified by the employer;
- 4 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by  
5 the member in accordance with KRS 61.542 or 61.705 to receive any available  
6 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"  
7 does not mean an estate, trust, or trustee;
- 8 (27) "Recipient" means the retired member or the person or persons designated as  
9 beneficiary by the member and drawing a retirement allowance as a result of the  
10 member's death or a dependent child drawing a retirement allowance. An alternate  
11 payee of a qualified domestic relations order shall not be considered a recipient,  
12 except for purposes of KRS 61.623;
- 13 (28) "Level-percentage-of-payroll amortization method" means a method of determining  
14 the annual amortization payment on the unfunded actuarial accrued liability as  
15 expressed as a percentage of payroll over a set period of years. Under this method,  
16 the percentage of payroll shall be projected to remain constant for all years  
17 remaining in the set period and the unfunded actuarially accrued liability shall be  
18 projected to be fully amortized at the conclusion of the set period;
- 19 (29) "Increment" means twelve (12) months of service credit which are purchased. The  
20 twelve (12) months need not be consecutive. The final increment may be less than  
21 twelve (12) months;
- 22 (30) "Person" means a natural person;
- 23 (31) "Retirement office" means the Kentucky Retirement Systems office building in  
24 Frankfort;
- 25 (32) "Last day of paid employment" means the last date employer and employee  
26 contributions are required to be reported in accordance with KRS 16.543, 61.543, or  
27 78.615 to the retirement office in order for the employee to receive current service

1 credit for the month. Last day of paid employment does not mean a date the  
2 employee receives payment for accrued leave, whether by lump sum or otherwise, if  
3 that date occurs twenty-four (24) or more months after previous contributions;

4 (33) "Objective medical evidence" means reports of examinations or treatments; medical  
5 signs which are anatomical, physiological, or psychological abnormalities that can  
6 be observed; psychiatric signs which are medically demonstrable phenomena  
7 indicating specific abnormalities of behavior, affect, thought, memory, orientation,  
8 or contact with reality; or laboratory findings which are anatomical, physiological,  
9 or psychological phenomena that can be shown by medically acceptable laboratory  
10 diagnostic techniques, including but not limited to chemical tests,  
11 electrocardiograms, electroencephalograms, X-rays, and psychological tests;

12 (34) "Participating" means an employee is currently earning service credit in the system  
13 as provided in KRS 61.543;

14 (35) "Month" means a calendar month;

15 (36) "Membership date" means:

16 (a) The date upon which the member began participating in the system as  
17 provided in KRS 61.543; or

18 (b) For a member electing to participate in the system pursuant to KRS  
19 196.167(4) who has not previously participated in the system or the Kentucky  
20 Teachers' Retirement System, the date the member began participating in a  
21 defined contribution plan that meets the requirements of 26 U.S.C. sec.  
22 403(b);

23 (37) "Participant" means a member, as defined by subsection (8) of this section, or a  
24 retired member, as defined by subsection (24) of this section;

25 (38) "Qualified domestic relations order" means any judgment, decree, or order,  
26 including approval of a property settlement agreement, that:

27 (a) Is issued by a court or administrative agency; and

1 (b) Relates to the provision of child support, alimony payments, or marital  
2 property rights to an alternate payee; and

3 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
4 participant, who is designated to be paid retirement benefits in a qualified domestic  
5 relations order.

6 ➔Section 3. KRS 61.637 is amended to read as follows:

7 (1) A retired member who is receiving monthly retirement payments under any of the  
8 provisions of KRS 61.510 to 61.705 and 78.510 to 78.852 and who is reemployed  
9 as an employee by a participating agency prior to August 1, 1998, shall have his  
10 retirement payments suspended for the duration of reemployment. Monthly  
11 payments shall not be suspended for a retired member who is reemployed if he  
12 anticipates that he will receive less than the maximum permissible earnings as  
13 provided by the Federal Social Security Act in compensation as a result of  
14 reemployment during the calendar year. The payments shall be suspended at the  
15 beginning of the month in which the reemployment occurs.

16 (2) Employer and employee contributions shall be made as provided in KRS 61.510 to  
17 61.705 and 78.510 to 78.852 on the compensation paid during reemployment,  
18 except where monthly payments were not suspended as provided in subsection (1)  
19 of this section or would not increase the retired member's last monthly retirement  
20 allowance by at least one dollar (\$1), and the member shall be credited with  
21 additional service credit.

22 (3) In the month following the termination of reemployment, retirement allowance  
23 payments shall be reinstated under the plan under which the member was receiving  
24 payments prior to reemployment.

25 (4) (a) Notwithstanding the provisions of this section, the payments suspended in  
26 accordance with subsection (1) of this section shall be paid retroactively to the  
27 retired member, or his estate, if he does not receive more than the maximum

1           permissible earnings as provided by the Federal Social Security Act in  
2           compensation from participating agencies during any calendar year of  
3           reemployment.

4           (b) If the retired member is paid suspended payments retroactively in accordance  
5           with this section, employee contributions deducted during his period of  
6           reemployment, if any, shall be refunded to the retired employee, and no  
7           service credit shall be earned for the period of reemployment.

8           (c) If the retired member is not eligible to be paid suspended payments for his  
9           period of reemployment as an employee, his retirement allowance shall be  
10          recomputed under the plan under which the member was receiving payments  
11          prior to reemployment as follows:

12          1. The retired member's final compensation shall be recomputed using  
13             creditable compensation for his period of reemployment; however, the  
14             final compensation resulting from the recalculation shall not be less than  
15             that of the member when his retirement allowance was last determined;

16          2. If the retired member initially retired on or subsequent to his normal  
17             retirement date, his retirement allowance shall be recomputed by using  
18             the formula in KRS 61.595(1);

19          3. If the retired member initially retired prior to his normal retirement date,  
20             his retirement allowance shall be recomputed using the formula in KRS  
21             61.595(2), except that the member's age used in computing benefits shall  
22             be his age at the time of his initial retirement increased by the number of  
23             months of service credit earned for service performed during  
24             reemployment;

25          4. The retirement allowance payments resulting from the recomputation  
26             under this subsection shall be payable in the month following the  
27             termination of reemployment in lieu of payments under subparagraph 3.

1           The member shall not receive less in benefits as a result of the  
2           recomputation than he was receiving prior to reemployment or would  
3           receive as determined under KRS 61.691; and

4           5. Any retired member who was reemployed prior to March 26, 1974, shall  
5           begin making contributions to the system in accordance with the  
6           provisions of this section on the first day of the month following March  
7           26, 1974.

8   (5) A retired member, or his estate, shall pay to the retirement fund the total amount of  
9       payments which are not suspended in accordance with subsection (1) of this section  
10      if the member received more than the maximum permissible earnings as provided  
11      by the Federal Social Security Act in compensation from participating agencies  
12      during any calendar year of reemployment, except the retired member or his estate  
13      may repay the lesser of the total amount of payments which were not suspended or  
14      fifty cents (\$0.50) of each dollar earned over the maximum permissible earnings  
15      during reemployment if under age sixty-five (65), or one dollar (\$1) for every three  
16      dollars (\$3) earned if over age sixty-five (65).

17   (6) (a) "Reemployment" or "reinstatement" as used in this section shall not include a  
18       retired member who has been ordered reinstated by the Personnel Board under  
19       authority of KRS 18A.095.

20       (b) A retired member who has been ordered reinstated by the Personnel Board  
21       under authority of KRS 18A.095 or by court order or by order of the Human  
22       Rights Commission and accepts employment by an agency participating in the  
23       Kentucky Employees Retirement System or County Employees Retirement  
24       System shall void his retirement by reimbursing the system in the full amount  
25       of his retirement allowance payments received.

26   (7) (a) Effective August 1, 1998, the provisions of subsections (1) to (4) of this  
27       section shall no longer apply to a retired member who is reemployed in a

1 position covered by the same retirement system from which the member  
2 retired. Reemployed retired members shall be treated as new members upon  
3 reemployment. Any retired member whose reemployment date preceded  
4 August 1, 1998, who does not elect, within sixty (60) days of notification by  
5 the retirement systems, to remain under the provisions of subsections (1) to  
6 (4) of this section shall be deemed to have elected to participate under this  
7 subsection.

8 (b) A retired member whose disability retirement was discontinued pursuant to  
9 KRS 61.615 and who is reemployed in one (1) of the systems administered by  
10 the Kentucky Retirement Systems prior to his or her normal retirement date  
11 shall have his or her accounts combined upon termination for determining  
12 eligibility for benefits. If the member is eligible for retirement, the member's  
13 service and creditable compensation earned as a result of his or her  
14 reemployment shall be used in the calculation of benefits, except that the  
15 member's final compensation shall not be less than the final compensation last  
16 used in determining his or her retirement allowance. The member shall not  
17 change beneficiary or payment option designations. This provision shall apply  
18 to members reemployed on or after August 1, 1998.

19 (8) A retired member or his employer shall notify the retirement system if he has  
20 accepted employment with an agency that participates in the retirement system from  
21 which the member retired.

22 (9) If the retired member is under a contract, the member shall submit a copy of that  
23 contract to the retirement system, and the retirement system shall determine if the  
24 member is an independent contractor for purposes of retirement benefits.

25 (10) If a member is receiving a retirement allowance, or has filed the forms required for  
26 a retirement allowance, and is employed within one (1) month of the member's  
27 initial retirement date in a position that is required to participate in the same

1 retirement system from which the member retired, the member's retirement shall be  
2 voided and the member shall repay to the retirement system all benefits received.  
3 The member shall contribute to the member account established for him prior to his  
4 voided retirement. The retirement allowance for which the member shall be eligible  
5 upon retirement shall be determined by total service and creditable compensation.

6 (11) (a) If a member of the Kentucky Employees Retirement System retires from a  
7 department which participates in more than one (1) retirement system and is  
8 reemployed within one (1) month of his initial retirement date by the same  
9 department in a position participating in another retirement system, the retired  
10 member's retirement allowance shall be suspended for the first month of his  
11 retirement and the member shall repay to the retirement system all benefits  
12 received for the month.

13 (b) A retired member of the County Employees Retirement System who after  
14 initial retirement is hired by the county from which the member retired shall  
15 be considered to have been hired by the same employer.

16 (12) (a) If a hazardous member who retired prior to age fifty-five (55), or a  
17 nonhazardous member who retired prior to age sixty-five (65), is reemployed  
18 within six (6) months of the member's termination by the same employer, the  
19 member shall obtain from his previous and current employers a copy of the  
20 job description established by the employers for the position and a statement  
21 of the duties performed by the member for the position from which he retired  
22 and for the position in which he has been reemployed.

23 (b) The job descriptions and statements of duties shall be filed with the retirement  
24 office.

25 (13) If the retirement system determines that the retired member has been employed in a  
26 position with the same principal duties as the position from which the member  
27 retired:



- 1 (a) The member's retirement allowance shall be suspended during the period that  
2 begins on the month in which the member is reemployed and ends six (6)  
3 months after the member's termination;
- 4 (b) The retired member shall repay to the retirement system all benefits paid from  
5 systems administered by Kentucky Retirement Systems under reciprocity,  
6 including medical insurance benefits, that the member received after  
7 reemployment began;
- 8 (c) Upon termination, or subsequent to expiration of the six (6) month period  
9 from the date of termination, the retired member's retirement allowance based  
10 on his initial retirement account shall no longer be suspended and the member  
11 shall receive the amount to which he is entitled, including an increase as  
12 provided by KRS 61.691;
- 13 (d) Except as provided in subsection (7) of this section, if the position in which a  
14 retired member is employed after initial retirement is a regular full-time  
15 position, the retired member shall contribute to a second member account  
16 established for him in the retirement system. Service credit gained after the  
17 member's date of reemployment shall be credited to the second member  
18 account; and
- 19 (e) Upon termination, the retired member shall be entitled to benefits payable  
20 from his second retirement account.
- 21 (14) (a) If the retirement system determines that the retired member has not been  
22 reemployed in a position with the same principal duties as the position from  
23 which he retired, the retired member shall continue to receive his retirement  
24 allowance.
- 25 (b) If the position is a regular full-time position, the member shall contribute to a  
26 second member account in the retirement system.
- 27 (15) (a) If a retired member is reemployed at least one (1) month after initial

1 retirement in a different position, or at least six (6) months after initial  
2 retirement in the same position, and prior to normal retirement age, the retired  
3 member shall contribute to a second member account in the retirement system  
4 and continue to receive a retirement allowance from the first member account.

5 (b) Service credit gained after reemployment shall be credited to the second  
6 member account. Upon termination, the retired member shall be entitled to  
7 benefits payable from the second member account.

8 (16) A retired member who is reemployed and contributing to a second member account  
9 shall not be eligible to purchase service credit under any of the provisions of KRS  
10 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 which he was eligible to  
11 purchase prior to his initial retirement.

12 (17) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (15) of this  
13 section, the following shall apply to retired members who are reemployed by an  
14 agency participating in one (1) of the systems administered by Kentucky Retirement  
15 Systems on or after September 1, 2008:

16 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a member is  
17 receiving a retirement allowance from one (1) of the systems administered by  
18 Kentucky Retirement Systems, or has filed the forms required to receive a  
19 retirement allowance from one (1) of the systems administered by Kentucky  
20 Retirement Systems, and is employed in a regular full-time position required  
21 to participate in one (1) of the systems administered by Kentucky Retirement  
22 Systems or is employed in a position that is not considered regular full-time  
23 with an agency participating in one (1) of the systems administered by  
24 Kentucky Retirement Systems within three (3) months following the member's  
25 initial retirement date, the member's retirement shall be voided, and the  
26 member shall repay to the retirement system all benefits received, including  
27 any health insurance benefits. If the member is returning to work in a regular

1 full-time position required to participate in one (1) of the systems  
2 administered by Kentucky Retirement Systems:

3 1. The member shall contribute to a member account established for him or  
4 her in one (1) of the systems administered by Kentucky Retirement  
5 Systems, and employer contributions shall be paid on behalf of the  
6 member by the participating employer; and

7 2. Upon subsequent retirement, the member shall be eligible for a  
8 retirement allowance based upon total service and creditable  
9 compensation, including any additional service or creditable  
10 compensation earned after his or her initial retirement was voided;

11 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a member is  
12 receiving a retirement allowance from one (1) of the systems administered by  
13 Kentucky Retirement Systems and is employed in a regular full-time position  
14 required to participate in one (1) of the systems administered by Kentucky  
15 Retirement Systems after a three (3) month period following the member's  
16 initial retirement date, the member may continue to receive his or her  
17 retirement allowance during the period of reemployment subject to the  
18 following provisions:

19 1. Both the employee and participating agency shall certify in writing on a  
20 form prescribed by the board that no prearranged agreement existed  
21 between the employee and agency prior to the employee's retirement for  
22 the employee to return to work with the participating agency. If the  
23 participating agency or employer fail to complete the certification, the  
24 member's retirement shall be voided and the provisions of paragraph (a)  
25 of this subsection shall apply to the member and the employer;

26 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to  
27 the contrary, the member shall not contribute to the systems and shall

1 not earn any additional benefits for any work performed during the  
2 period of reemployment;

3 3. The employer shall pay employer contributions as specified by KRS  
4 61.565 and 61.702 on all creditable compensation earned by the  
5 employee during the period of reemployment. The additional  
6 contributions paid shall be used to reduce the unfunded actuarial liability  
7 of the systems; and

8 4. The employer shall be required to reimburse the systems for the cost of  
9 the health insurance premium paid by the systems to provide coverage  
10 for the retiree, not to exceed the cost of the single premium;

11 (c) If a member is receiving a retirement allowance from the State Police  
12 Retirement System or from hazardous duty retirement coverage with the  
13 Kentucky Employees Retirement System or the County Employees Retirement  
14 System, or has filed the forms required to receive a retirement allowance from  
15 the State Police Retirement System or from hazardous duty retirement  
16 coverage with the Kentucky Employees Retirement System or the County  
17 Employees Retirement System, and is employed in a regular full-time position  
18 required to participate in the State Police Retirement System or in a hazardous  
19 duty position with the Kentucky Employees Retirement System or the County  
20 Employees Retirement System within one (1) month following the member's  
21 initial retirement date, the member's retirement shall be voided, and the  
22 member shall repay to the retirement system all benefits received, including  
23 any health insurance benefits. If the member is returning to work in a regular  
24 full-time position required to participate in one (1) of the systems  
25 administered by Kentucky Retirement Systems:

26 1. The member shall contribute to a member account established for him or  
27 her in one (1) of the systems administered by Kentucky Retirement

1 Systems, and employer contributions shall be paid on behalf of the  
2 member by the participating employer; and

- 3 2. Upon subsequent retirement, the member shall be eligible for a  
4 retirement allowance based upon total service and creditable  
5 compensation, including any additional service or creditable  
6 compensation earned after his or her initial retirement was voided; and

7 (d) If a member is receiving a retirement allowance from the State Police  
8 Retirement System or from hazardous duty retirement coverage with the  
9 Kentucky Employees Retirement System or the County Employees Retirement  
10 System and is employed in a regular full-time position required to participate  
11 in the State Police Retirement System or in a hazardous duty position with the  
12 Kentucky Employees Retirement System or the County Employees Retirement  
13 System after a one (1) month period following the member's initial retirement  
14 date, the member may continue to receive his or her retirement allowance  
15 during the period of reemployment subject to the following provisions:

- 16 1. Both the employee and participating agency shall certify in writing on a  
17 form prescribed by the board that no prearranged agreement existed  
18 between the employee and agency prior to the employee's retirement for  
19 the employee to return to work with the participating agency. If the  
20 participating agency or employer fail to complete the certification, the  
21 member's retirement shall be voided and the provisions of paragraph (c)  
22 of this subsection shall apply to the member and the employer;
- 23 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to  
24 the contrary, the member shall not contribute to the systems and shall  
25 not earn any additional benefits for any work performed during the  
26 period of reemployment;
- 27 3. The employer shall pay employer contributions as specified by KRS

61.565 and 61.702 on all creditable compensation earned by the employee during the period of reemployment. The additional contributions paid shall be used to reduce the unfunded actuarial liability of the systems; and

4. The employer shall be required to reimburse the systems for the cost of the health insurance premium paid by the systems to provide coverage for the retiree, not to exceed the cost of the single premium.

→ Section 4. KRS 78.510 is amended to read as follows:

As used in KRS 78.510 to 78.852, unless the context otherwise requires:

- (1) "System" means the County Employees Retirement System;
- (2) "Board" means the board of trustees of the system as provided in KRS 78.780;
- (3) "County" means any county, or nonprofit organization created and governed by a county, counties, or elected county officers, sheriff and his employees, county clerk and his employees, circuit clerk and his deputies, former circuit clerks or former circuit clerk deputies, or political subdivision or instrumentality, including school boards, charter county government, or urban-county government participating in the system by order appropriate to its governmental structure, as provided in KRS 78.530, and if the board is willing to accept the agency, organization, or corporation, the board being hereby granted the authority to determine the eligibility of the agency to participate;
- (4) "School board" means any board of education participating in the system by order appropriate to its governmental structure, as provided in KRS 78.530, and if the board is willing to accept the agency or corporation, the board being hereby granted the authority to determine the eligibility of the agency to participate;
- (5) "Examiner" means the medical examiners as provided in KRS 61.665;
- (6) "Employee" means every regular full-time appointed or elective officer or employee of a participating county and the coroner of a participating county, whether or not he

1 qualifies as a regular full-time officer. The term shall not include persons engaged  
2 as independent contractors, seasonal, emergency, temporary, and part-time workers.  
3 In case of any doubt, the board shall determine if a person is an employee within the  
4 meaning of KRS 78.510 to 78.852;

5 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected  
6 officials of a county, or any authority of the county having the power to appoint or  
7 elect an employee to office or employment in the county;

8 (8) "Member" means any employee who is included in the membership of the system or  
9 any former employee whose membership has not been terminated under KRS  
10 61.535;

11 (9) "Service" means the total of current service and prior service as defined in this  
12 section;

13 (10) "Current service" means the number of years and months of employment as an  
14 employee, on and after July 1, 1958, for which creditable compensation is paid and  
15 employee contributions deducted, except as otherwise provided;

16 (11) "Prior service" means the number of years and completed months, expressed as a  
17 fraction of a year, of employment as an employee, prior to July 1, 1958, for which  
18 creditable compensation was paid. An employee shall be credited with one (1)  
19 month of prior service only in those months he received compensation for at least  
20 one hundred (100) hours of work. Twelve (12) months of current service in the  
21 system shall be required to validate prior service;

22 (12) "Accumulated contributions" means the sum of all amounts deducted from the  
23 compensation of a member and credited to his individual account in the members'  
24 contribution account, including employee contributions picked up after August 1,  
25 1982, pursuant to KRS 78.610(4), together with interest credited on the amounts,  
26 and any other amounts the member shall have contributed thereto, including interest  
27 credited thereon. For members who begin participating on or after September 1,

1 2008, "accumulated contributions" shall not include employee contributions that are  
2 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the  
3 funds established in KRS 16.510, 61.515, and 78.520, as prescribed by KRS  
4 61.702(2)(b);

5 (13) "Creditable compensation" means all salary, wages, and fees, including payments  
6 for compensatory time, paid to the employee as a result of services performed for  
7 the employer or for time during which the member is on paid leave, which are  
8 includable on the member's federal form W-2 wage and tax statement under the  
9 heading "wages, tips, other compensation", including employee contributions  
10 picked up after August 1, 1982, pursuant to KRS 78.610(4). A lump-sum bonus,  
11 severance pay, or employer-provided payment for purchase of service credit shall be  
12 included as creditable compensation but shall be averaged over the employee's  
13 service with the system in which it is recorded if it is equal to or greater than one  
14 thousand dollars (\$1,000). If compensation includes maintenance and other  
15 perquisites, the board shall fix the value of that part of the compensation not paid in  
16 money. Living allowances, expense reimbursements, lump-sum payments for  
17 accrued vacation leave, sick leave except as provided in KRS 78.616(5), and other  
18 items determined by the board shall be excluded. Creditable compensation shall  
19 also include amounts that are not includable in the member's gross income by virtue  
20 of the member having taken a voluntary salary reduction provided for under  
21 applicable provisions of the Internal Revenue Code. Creditable compensation shall  
22 also include elective amounts for qualified transportation fringes paid or made  
23 available on or after January 1, 2001, for calendar years on or after January 1, 2001,  
24 that are not includable in the gross income of the employee by reason of 26 U.S.C.  
25 sec. 132(f)(4). For employees who begin participating on or after September 1,  
26 2008, creditable compensation shall not include payments for compensatory time;

27 (14) "Final compensation" means:



- 1 (a) For a member who begins participating before September 1, 2008, who is not  
2 employed in a hazardous position, as provided in KRS 61.592, the creditable  
3 compensation of the member during the five (5) fiscal years he was paid at the  
4 highest average monthly rate divided by the number of months of service  
5 credit during that five (5) year period multiplied by twelve (12). The five (5)  
6 years may be fractional and need not be consecutive. If the number of months  
7 of service credit during the five (5) year period is less than forty-eight (48),  
8 one (1) or more additional fiscal years shall be used;
- 9 (b) For a member who is not employed in a hazardous position, as provided in  
10 KRS 61.592, whose effective retirement date is between August 1, 2001, and  
11 January 1, 2009, and whose total service credit is at least twenty-seven (27)  
12 years and whose age and years of service total at least seventy-five (75), final  
13 compensation means the creditable compensation of the member during the  
14 three (3) fiscal years the member was paid at the highest average monthly rate  
15 divided by the number of months of service credit during that three (3) year  
16 period multiplied by twelve (12). The three (3) years may be fractional and  
17 need not be consecutive. If the number of months of service credit during the  
18 three (3) year period is less than twenty-four (24), one (1) or more additional  
19 fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the  
20 funding for this paragraph shall be provided from existing funds of the  
21 retirement allowance;
- 22 (c) For a member who begins participating before September 1, 2008, who is  
23 employed in a hazardous position, as provided in KRS 61.592, the creditable  
24 compensation of the member during the three (3) fiscal years he was paid at  
25 the highest average monthly rate divided by the number of months of service  
26 credit during that three (3) year period multiplied by twelve (12). The three (3)  
27 years may be fractional and need not be consecutive. If the number of months

1 of service credit during the three (3) year period is less than twenty-four (24),  
 2 one (1) or more additional fiscal years shall be used;

3 (d) For a member who begins participating on or after September 1, 2008, who is  
 4 not employed in a hazardous position, as provided in KRS 61.592, the  
 5 creditable compensation of the member during the five (5) complete fiscal  
 6 years immediately preceding retirement divided by five (5). Each fiscal year  
 7 used to determine final compensation must contain twelve (12) months of  
 8 service credit. If the member does not have five (5) complete fiscal years that  
 9 each contain twelve (12) months of service credit, then one (1) or more  
 10 additional fiscal years shall be used; or

11 (e) For a member who begins participating on or after September 1, 2008, who is  
 12 employed in a hazardous position, as provided in KRS 61.592, the creditable  
 13 compensation of the member during the three (3) complete fiscal years he was  
 14 paid at the highest average monthly rate divided by three (3). Each fiscal year  
 15 used to determine final compensation must contain twelve (12) months of  
 16 service credit;

17 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were  
 18 calculated during the twelve (12) month period immediately preceding the  
 19 member's effective retirement date, and shall include employee contributions picked  
 20 up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to  
 21 the system by the employer and the following equivalents shall be used to convert  
 22 the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
 23 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half  
 24 (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve  
 25 (12) months, one (1) year;

26 (16) "Retirement allowance" means the retirement payments to which a member is  
 27 entitled;

- 1 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the  
2 basis of the actuarial tables adopted by the board. In cases of disability retirement,  
3 the options authorized by KRS 61.635 shall be computed by adding ten (10) years  
4 to the age of the member, unless the member has chosen the Social Security  
5 adjustment option as provided for in KRS 61.635(8), in which case the member's  
6 actual age shall be used. No disability retirement option shall be less than the same  
7 option computed under early retirement;
- 8 (18) "Normal retirement date" means the sixty-fifth birthday of a member unless  
9 otherwise provided in KRS 78.510 to 78.852;
- 10 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
11 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
12 limitation year used to determine contribution and benefits limits as set out in 26  
13 U.S.C. sec. 415;
- 14 (20) "Agency reporting official" means the person designated by the participating agency  
15 who shall be responsible for forwarding all employer and employee contributions  
16 and a record of the contributions to the system and for performing other  
17 administrative duties pursuant to the provisions of KRS 78.510 to 78.852;
- 18 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean  
19 all positions that average one hundred (100) or more hours per month, determined  
20 by using the number of hours actually worked in a calendar or fiscal year, or eighty  
21 (80) or more hours per month in the case of noncertified employees of school  
22 boards, determined by using the number of hours actually worked in a calendar or  
23 school year, unless otherwise specified, except:
- 24 (a) Seasonal positions, which although temporary in duration, are positions which  
25 coincide in duration with a particular season or seasons of the year and that  
26 may recur regularly from year to year, in which case the period of time shall  
27 not exceed nine (9) months, except for employees of school boards, in which

- 1 case the period of time shall not exceed six (6) months;
- 2 (b) Emergency positions that are positions that do not exceed thirty (30) working  
3 days and are nonrenewable;
- 4 (c) Temporary, also referred to as probationary, positions that are positions of  
5 employment with a participating agency for a period of time not to exceed  
6 twelve (12) months and not renewable; or
- 7 (d) Part-time positions that are positions that may be permanent in duration, but  
8 that require less than a calendar or fiscal year average of one hundred (100)  
9 hours of work per month, determined by using the number of months actually  
10 worked within a calendar or fiscal year, in the performance of duty, except in  
11 case of noncertified employees of school boards, the school term average shall  
12 be eighty (80) hours of work per month, determined by using the number of  
13 months actually worked in a calendar or school year, in the performance of  
14 duty;
- 15 (22) "Alternate participation plan" means a method of participation in the system as  
16 provided for by KRS 78.530(3);
- 17 (23) "Retired member" means any former member receiving a retirement allowance or  
18 any former member who has on file at the retirement office the necessary  
19 documents for retirement benefits and is no longer contributing to the system;
- 20 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
21 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
22 pay. The rate shall be certified by the employer;
- 23 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the  
24 member in accordance with KRS 61.542 or 61.705 to receive any available benefits  
25 in the event of the member's death. As used in KRS 61.702, beneficiary shall not  
26 mean an estate, trust, or trustee;
- 27 (26) "Recipient" means the retired member, the person or persons designated as

1 beneficiary by the member and drawing a retirement allowance as a result of the  
2 member's death, or a dependent child drawing a retirement allowance. An alternate  
3 payee of a qualified domestic relations order shall not be considered a recipient,  
4 except for purposes of KRS 61.623;

5 (27) "Person" means a natural person;

6 (28) "School term or year" means the twelve (12) months from July 1 through the  
7 following June 30;

8 (29) "Retirement office" means the Kentucky Retirement Systems office building in  
9 Frankfort;

10 (30) "Delayed contribution payment" means an amount paid by an employee for current  
11 service obtained under KRS 61.552. The amount shall be determined using the  
12 same formula in KRS 61.5525, except the determination of the actuarial cost for  
13 classified employees of a school board shall be based on their final compensation,  
14 and the payment shall not be picked up by the employer. A delayed contribution  
15 payment shall be deposited to the member's contribution account and considered as  
16 accumulated contributions of the individual member. In determining payments  
17 under this subsection, the formula found in this subsection shall prevail over the one  
18 found in KRS 212.434;

19 (31) "Participating" means an employee is currently earning service credit in the system  
20 as provided in KRS 78.615;

21 (32) "Month" means a calendar month;

22 (33) "Membership date" means the date upon which the member began participating in  
23 the system as provided in KRS 78.615;

24 (34) "Participant" means a member, as defined by subsection (8) of this section, or a  
25 retired member, as defined by subsection (23) of this section;

26 (35) "Qualified domestic relations order" means any judgment, decree, or order,  
27 including approval of a property settlement agreement, that:

- 1 (a) Is issued by a court or administrative agency; and
- 2 (b) Relates to the provision of child support, alimony payments, or marital
- 3 property rights to an alternate payee; and
- 4 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
- 5 participant, who is designated to be paid retirement benefits in a qualified domestic
- 6 relations order.

7 ➔Section 5. KRS 78.530 is amended to read as follows:

- 8 (1) (a) Each county and school board, as defined in KRS 78.510, will participate in
- 9 the system by appropriate order authorizing such participation which has been
- 10 entered and duly recorded in the records of the governing body of the county
- 11 or school board. In cases where general purpose county government does not
- 12 participate, but the sheriff and his employees or the county clerk and his
- 13 employees do, the sheriff or the clerk shall retain the order in his office. The
- 14 authority to issue and properly record such order of participation being hereby
- 15 granted, permits such county to participate in the system. The effective date of
- 16 such participation shall be fixed in the order.

- 17 (b) Notwithstanding any statute to the contrary, after April 9, 2002, the systems
- 18 shall deny the request for participation of any agency which does not have an
- 19 irrevocable contract with the state Personnel Cabinet for health insurance
- 20 coverage under KRS 18A.225 to 18A.229 for its active employees, except
- 21 that:

- 22 1. County governments entering the system between April 9, 2002, and
- 23 July 1, 2003, under this section shall be excluded from this requirement;

24 and

- 25 2. Agencies entering the system on or after April 9, 2002, which were
- 26 established by a merger or an interlocal agreement to provide public
- 27 services shall be excluded from this requirement if all agencies

entering into the merger or interlocal agreement had an initial participation date with the system prior to April 9, 2002.

(2) Once a county or school board participates, it shall thereafter continue to participate, except as provided in KRS 78.535.

(3) (a) Concurrent with the adoption of the appropriate resolution to participate in the system, a county may elect the alternate participation plan which will require the county to purchase on behalf of each employee electing coverage, at the time the county elected to participate in the system as provided under KRS 78.540(2), current service credit for employment in regular full-time positions between July 1, 1958, and the participation date of the county. Cities which participate in the system pursuant to subsection (7) of this section, KRS 79.080, 90.400, 90.410, 95.520, 95.621, 95.761, 95.768, 95.852, or 96.180 shall be required to purchase on behalf of each employee electing coverage only as much service credit as the employee has accumulated in the city-administered plan, up to the participation date of the city. Accumulated service shall include service for which an employee received a refund pursuant to KRS 95.620 or 95.866, if such refund has been repaid. If the employee has not yet repaid the refund, he may make payment to the system by any method acceptable to the system, and the requirement of five (5) years of continuous reemployment prior to repayment of refunds shall not apply. Upon the employee's repayment, the city shall purchase the associated service credit for the employee. Cost of such service credit over and above that which would be funded within the existing employer contribution rate shall be determined by the board's consulting actuary. The expense of such actuarial service shall be paid by the county;

(b) The county shall establish a payment schedule subject to approval by the board for payment of the cost of such service over and above that which

1 would be funded within the existing employer contribution rate. The  
2 maximum period allowed in a payment schedule shall be thirty (30) years,  
3 with interest at the rate actuarially assumed by the board. A shorter period is  
4 desirable and the board may approve any payment schedule provided it is not  
5 longer than a thirty (30) year period, except that cities which participate in the  
6 system pursuant to subsection (7) of this section, KRS 79.080, 90.400, 90.410,  
7 95.520, 95.621, 95.761, 95.768, 95.852, or 96.180 may, at their option, extend  
8 the payment schedule to a maximum of thirty (30) years, may choose to make  
9 level payments at the interest rate actuarially assumed by the board over the  
10 life of the payment schedule chosen, and may retain employer contributions  
11 and the earnings thereon attributable to employees electing coverage;

- 12 (c) A city entering the system under the alternate participation plan, may, by  
13 ordinance, levy a special property tax to pay for current service credit  
14 purchased for the period between July 1, 1958, and the participation date of  
15 the city. The special tax shall be to pay, within a period of no more than  
16 fifteen (15) years, for the cost of such service credit over that which would be  
17 funded within the existing employer contribution rate, as determined by the  
18 board's consulting actuary. The reason for levying the special tax and the  
19 disposition of the proceeds shall be part of the ordinance levying the tax. The  
20 special tax shall be rescinded when the unfunded prior service liability has  
21 been amortized, and shall not be subject to the provisions of KRS 132.017 or  
22 132.027. In addition, the city may maintain any tax, the proceeds of which had  
23 been devoted to funding pension obligations under the locally administered  
24 plan prior to participation in the system, for the purpose of funding current  
25 service costs incurred after the date of participation. The city may increase the  
26 tax to pay current service costs which exceed the local pension system costs to  
27 which the tax had been devoted, but the city shall not collect from the tax



1 more revenues than are necessary to pay current service costs incurred after  
2 the date of participation. The city may continue the tax so long as it  
3 participates in the system, and the tax shall not be subject to the provisions of  
4 KRS 132.017 or 132.027. The city shall not collect either tax authorized by  
5 this paragraph if its participation has been terminated pursuant to KRS  
6 78.535;

7 (d) The county may at a later date purchase current service credit from July 1,  
8 1958, to the participation date of the county by alternate participation plan for  
9 those employees who rejected membership in the system at the time the  
10 county first participated. In addition, the employer shall pay the employer  
11 contributions on the creditable compensation of the employees who later elect  
12 membership from the participation date of the county to the date the member  
13 elects participation. The employee shall pay the employee contributions on his  
14 creditable compensation from the participation date of the county to the date  
15 he elects membership plus interest at the current actuarial rate compounded  
16 annually on the employee and employer contributions. Cost of the service  
17 credit over and above that which would be funded within the existing  
18 employer contribution rate shall be determined by the board's consulting  
19 actuary. The expense of the actuarial service shall be paid by the county. The  
20 county shall pay the cost of the service by lump sum or by adding it to the  
21 existing payment schedule established under paragraph (b) of this subsection;

22 (e) A county which did not participate by alternate participation may, until July 1,  
23 1991, purchase current service credit for those employees who rejected  
24 membership in the system at the time the county first participated. The  
25 employer shall pay the employer contributions on the creditable compensation  
26 of the employees who later elect membership from the participation date of  
27 the county to the date the member elects participation. The employee shall pay

1 the employee contributions on his creditable compensation from the  
2 participation date of the county to the date he elects membership plus interest  
3 at the current actuarial rate compounded annually on the employee and  
4 employer contributions. The county shall pay the cost of the service credit by  
5 lump sum or by establishing a payment schedule under paragraph (b) of this  
6 subsection; and

- 7 (f) A county which participated in the system but did not elect the alternate  
8 participation plan may at a later date elect the alternate participation plan. In  
9 this case, the county shall purchase on behalf of each employee participating  
10 in the system current service credit for employment in regular full-time  
11 positions between July 1, 1958, or a later date selected by the county  
12 government, and the participation date of the county. The county shall also  
13 purchase, for employees who decide to participate when the county elects the  
14 alternate participation plan, current service credit for employment in regular  
15 full-time positions between July 1, 1958, or the later date selected by the  
16 county government, and the participation date of the county. In addition, the  
17 county shall pay the employer contributions on the creditable compensation of  
18 the employees who later elect membership from the participation date of the  
19 county to the date the member elects participation. The employee shall pay the  
20 employee contributions on his creditable compensation from the participation  
21 date of the county to the date he elects membership plus interest at the current  
22 actuarial rate compounded annually on the employee and employer  
23 contributions. Cost of the service credit over that which would be funded  
24 within the existing employer contribution rate shall be determined by the  
25 board's consulting actuary. The expense of the actuarial service shall be paid  
26 by the county. The county shall pay the cost of the service by lump sum or by  
27 a payment schedule established under paragraph (b) of this subsection.

- 1 (4) Every school board not participating on June 21, 1974, shall enact a resolution of  
2 participation no later than July 1, 1976.
- 3 (5) The order of the governing body of a county, as provided for in subsection (1) of  
4 this section, may exclude from participation in the system hospitals and any other  
5 semi-independent agency. Each such excluded agency shall be identified in the  
6 order authorizing participation and such excluded agency may participate in the  
7 system as a separate agency.
- 8 (6) An agency whose participation in the County Employees Retirement System has  
9 been terminated by the board of trustees in accordance with KRS 78.535 may at a  
10 later date request participation in the retirement system by the adoption of an  
11 appropriate order as authorized by subsection (1) of this section. The board may  
12 accept the participation of such agency provided it is determined that such  
13 participation is in the best interest of the agency, the employees thereof and the  
14 County Employees Retirement System.
- 15 (7) (a) After August 1, 1988, except as permitted by KRS 65.156, no local  
16 government retirement system shall be created pursuant to KRS 70.580 to  
17 70.598 and any local government retirement systems created pursuant to KRS  
18 79.080, 90.400, 90.410, 95.768, and KRS Chapter 96 shall be closed to new  
19 members. New employees who would have been granted membership in such  
20 retirement systems shall instead be granted membership in the County  
21 Employees Retirement System. Employees who would have been granted  
22 membership in retirement systems created pursuant to KRS 95.768, or any  
23 other policemen or firefighters who would have been granted membership in  
24 retirement systems created pursuant to KRS 79.080, 90.400, or 90.410, or any  
25 such policemen or firefighter members employed on or prior to August 1,  
26 1988, who transfer to the County Employees Retirement System, shall be  
27 certified by their employers as working in hazardous positions. Each city

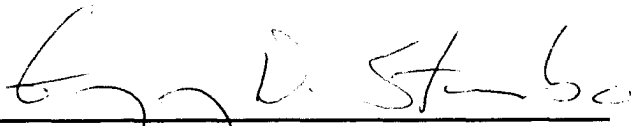
1 participating in the County Employees Retirement System pursuant to this  
 2 subsection shall execute the appropriate order authorizing such participation,  
 3 shall select the alternate participation plan as described in subsection (3) of  
 4 this section, and shall pay for the actuarial services necessary to determine the  
 5 additional costs of alternate participation. Cities which closed their local  
 6 pension systems to new members and participated in the system prior to July  
 7 15, 1988, whose employees at the time of transition were given the option to  
 8 join the system shall not be required to offer said employees a second option  
 9 to join the system.

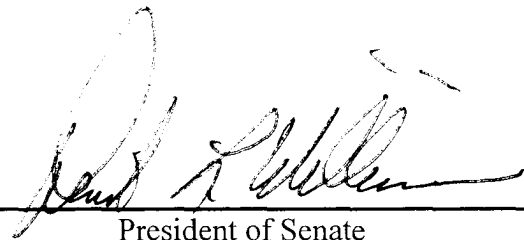
10 (b) Notwithstanding any statute to the contrary, after April 9, 2002, the systems  
 11 shall deny the request for participation of any agency which does not have an  
 12 irrevocable contract with the state Personnel Cabinet for health insurance  
 13 coverage under KRS 18A.225 to 18A.229 for its active employees, except that  
 14 agencies entering the system on or after April 9, 2002, which were  
 15 established by a merger or an interlocal agreement to provide public  
 16 services shall be excluded from this requirement if all agencies entering  
 17 into the merger or interlocal agreement had an initial participation date  
 18 with the system prior to April 9, 2002.

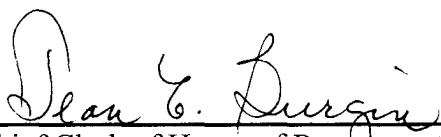
19 (8) Any city which closed a police and firefighter pension plan to new members  
 20 between January 1, 1988, and July 15, 1988, and participated in the system under  
 21 the alternate participation plan shall, if its police and firefighters were not covered  
 22 by Social Security, or any city which operates a pension under KRS 90.400 or  
 23 90.410, shall be required to certify that its police and firefighters are working in  
 24 hazardous positions, and shall offer its police and firefighters in service at the time  
 25 of entry a second option to participate under hazardous duty coverage if they were  
 26 not offered hazardous duty coverage at the time of their first option. The provisions  
 27 of subsection (3)(b) of this section notwithstanding, a city affected by this

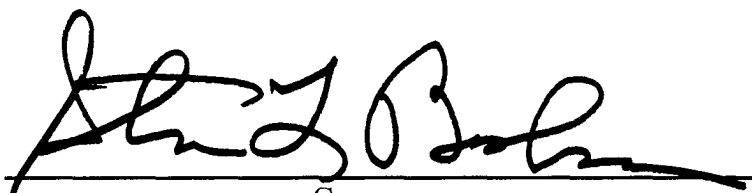
1 subsection may, at its option, extend its payment schedule to the County Employees  
2 Retirement System for alternate participation to thirty (30) years at the rate  
3 actuarially assumed by the board.

4 ➔Section 6. If an agency meets the requirements of the exception provided in  
5 subsection (1)(b)2. of Section 5 of this Act, but was required under KRS 78.530 prior to  
6 the effective date of this Act to sign a contract with the Personnel Cabinet to provide its  
7 employees with health insurance coverage through the Public Employees Health  
8 Insurance Plan as a condition of its participation in the County Employees Retirement  
9 System, then the agency shall be eligible to opt out of the health insurance contract by  
10 notifying the secretary of the Personnel Cabinet.

  
\_\_\_\_\_  
Speaker-House of Representatives

  
\_\_\_\_\_  
President of Senate

Attest:   
\_\_\_\_\_  
Chief Clerk of House of Representatives

Approved   
\_\_\_\_\_  
Governor

Date 3-16-11